HOUSING MARKET OUTLOOK

Ottawa

Canada Mortgage and Housing Corporation

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New Home Market

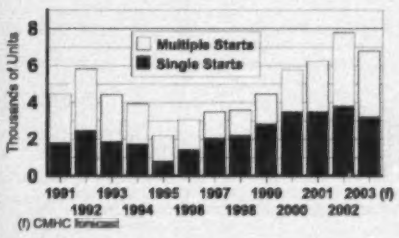
More modest level of construction activity expected in 2003

Last year was a record year for the Ottawa housing market. In terms of the new home market, total housing starts achieved a 14-year high of 7,796 units, while the median price for a new single-family home increased by over 10 per cent to reach about $269,800.

With record levels set last year, it will be difficult for the new housing market to achieve the same level of activity this year, as the bar has been set higher. In addition, there is evidence that the pace of housing starts activity is slowing down compared to last year, as demand begins to pull back from last year's torrid pace due to growing housing prices and an increase in the supply of resale homes. With more anticipated mortgage rate hikes this year, both rising housing prices and carrying costs will likely quell the appetite of some first-time homebuyers. Nonetheless, demand for housing will remain firm in 2003 as a result of continued net positive migration and expected net job growth for the rest of the year. Consequently, we are anticipating a more modest level of new housing construction this year in comparison to 2002, with total housing starts achieving about 6,800 units by the end of 2003.

The new multi-family market picked up momentum in 2002, as a string of apartment starts and a surge in townhouse construction pushed multi-family starts to a total of 3,996 units. As a result, the multi-family market enjoyed a larger share of all new residential construction in Ottawa last year. We can expect the same scenario this year as affordability continues to draw consumers, particularly first-time homebuyers, into the multi-family market. We expect multi-family starts to drop by over nine per cent to about 3,600 units this year, as consumers will also be offered more choices of homes in the resale market. As for single-family homes, the move-up buyer will continue to drive that market again in 2003. Mortgage rates are expected to continue rising this year, but this will likely impact more the demand by first-time buyers and not as much the move-up buyers seeking higher priced housing. Expect single-family starts to decrease by 16 per cent in 2003 and attain about 3,200 starts by year-end.

Annual and Forecast Housing Starts
Ottawa CMA



Firm Demand for New Single-Family Homes in 2003

Last year was a 15-year high for single-family starts in Ottawa, climbing to a total of 3,807 units by the end of 2002. This is highest number of single family starts recorded since 1988, when the total number of single-family starts then achieved 4,190 units. Key factors drove the new single-family housing market to this record, including low inventories in the resale market, positive job growth and low interest rates. By December of 2002, the economy had recovered jobs lost in the high-tech meltdown and the average 5-year mortgage rate was pegged at around 6.26 per cent, still historically low when compared to similar rates going as far back as 1962. Besides these economic

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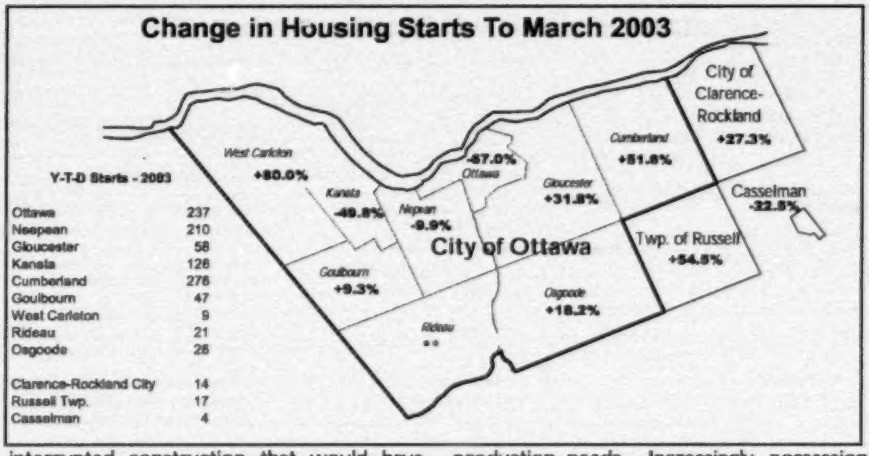
fundamentals, there is no question that the "hot" resale market was also a major contributing factor to the success of the single-family market. With record sales and low listings last year, many potential home buyers had to look towards the new housing market to meet their housing needs. As a result, single-family construction was quite brisk in 2002, with construction going almost to full capacity to meet the strong demand for housing.

A key population group fueling the demand for new housing was the growing 45 to 64 age segment in Ottawa, as they make-up a large portion of the move-up market. According to CMHC consumer preference studies and Statistics Canada Census, this age group on average have higher incomes, already own a home and have little or no mortgage left to payoff. CMHC research indicates that this population group in particular prefers larger homes and are less likely to buy a home on the resale market. The fact that most new homes sold last year were two-storey homes and not bungalows suggests the move-up market is driving the demand for new home construction. According to CMHC estimates, new two-storey homes made up 79 per cent, or 2783 units, of all new single-family homes absorbed in Ottawa's new housing market in 2002. By the end of 2002, the median price for a new two-storey home was $281,385, up 13 per cent from the average price in 2001. Clearly, the market for larger, two-storey homes has been driving up the prices of new homes, as builders continue to meet the needs of this particular market niche.

Meanwhile, the sale of new single-detached bungalows was actually down from last year. According to CMHC estimates, the number of new bungalow units absorbed in the market was 396 units by December of 2002. The estimated average price for a new bungalow at absorption was about $226,300, representing an increase of 8 per cent from 2001. Altogether, bungalows made up just over 11 per cent of all single-family homes absorbed in the Ottawa housing market last year.

Looking forward into 2003, there is already evidence that the momentum from last year has eased somewhat, as single-family starts are down. To March of 2003, there were 380 single-family starts in Ottawa, a decrease of over 31 per cent from the same period a year before. The abnormally cold weather witnessed in January and February may have



interrupted construction that would have normally occurred. However, the growing number of new listings in the resale market does mean that consumers have more choice of housing available in the market. In addition, rising prices and increasing mortgage rates down the road will likely have an impact on the demand for new homes for first-time buyers, as they seek more affordable multi-family housing on the market.

Looking at housing starts by area in 2002, Nepean, Gloucester, Cumberland, Osgoode, Vanier & Rockcliffe Park and the old City of Ottawa all witnessed healthy gains in new-single family housing. Osgoode alone witnessed an increase of 42 per cent or 297 new single-family units by the end of 2002. The Nepean area had the largest number of single-family starts this year, increasing to 794 new single-family homes, the largest share in Ottawa. In the surrounding communities, Clarence-Rockland recorded 165 new units, for an increase of 25 per cent, while Russell Township had 145 new homes, for an increase of over 76 per cent from the previous year. Kanata actually witnessed a 33 per cent decline in the construction of new single-family homes, instead recording a giant gain in multi-family starts. Multiples in Kanata grew by over 33 per cent in 2002.

Price continues upward trend

While strong demand, coupled with low inventories was a key component in driving up new home prices in Ottawa last year, increasing construction costs were another factor. One key element driving up construction costs seems to be wages for skilled labour (see "**Wages**" next page).

The construction industry seemed to be working at full capacity in 2002 to meet production needs. Increasingly, possession dates were being pushed back as builders were faced with high demand for housing that coincided with a shortage of skilled labour required for housing construction. Inventories for new single-family homes were well down from last year, as the number of homes completed and unoccupied in 2002 dropped by 15 per cent from 2001. As of February of 2003, single-family homes completed and unoccupied stood at 54, which represents a decrease of 15 per cent from the same period last year. The construction industry is not building on spec but enough to meet the demand for new homes accordingly. Consequently, low inventories in the new housing market bode well for construction activity for the rest of 2003, as the demand for new housing will be met with new construction as opposed to left over inventories from last year. In fact, most new housing starts in 2003 are from sales made in 2002 but the construction has only begun this year. Builders can expect the rest of 2003 to be another busy year for construction as they try to meet firm demand for new homes

While construction activity will be sustained for the rest of the year, more supply from the resale market, rising interest rates and increasing housing prices will have a mitigating affect on the median price of a new home. We expect the median price for a new single-family home to increase by another 5 per cent in 2003 to reach about 281,831 by the end of the year, less than last year but well above the rate of inflation.

Multi-family will outperform Single- Family Market

Multi-family starts made up over half of all new housing construction in 2002. While single-family starts achieved over 3,807 units,

Ottawa's New House Price Index Driven by Wages

Each month, Statistics Canada produces a New House Price Index (NHPI) for each of 21 large Canadian Census Metropolitan Areas (CMA's). The data is produced by surveying builders in these CMA's who mainly build single unit houses in significant volume or who can report selling prices for comparable transactions. The year 1992 is the "base year" for the report; each CMA's NHPI equals 100.0 in 1992. The NHPI is designed to measure the house's total price; by estimating the market price of the dwelling's associated land, the NHPI is subdivided into "land" and "house" components.

Ottawa's NHPI averaged 129.3 in 2002 and stood at 133.1 in February 2002, the latest month for which data is available. The 2002 figure, the sixth consecutive annual increase, was 7.7 per cent above 2001's average and 33.3 per cent above 1997's. Most of this increase has been driven by the increase in the "house" component; this rose 9.7 per cent last year and 40.8 per cent since 1997. The "land" portion, meanwhile, fell 0.6 per cent last year and is a relatively modest 5.6 per cent higher than in 1997.

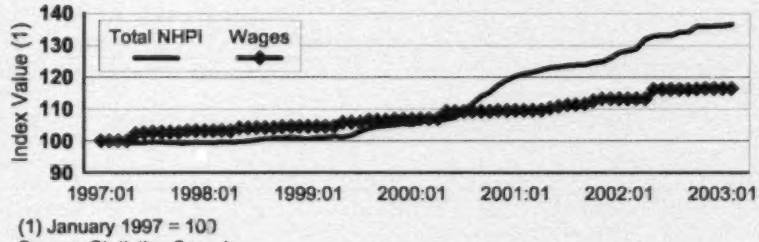
StatsCan also estimates price indices for construction wages and various building materials on a national level. Since prices for labour and materials are set in national markets, comparison of such indices to Ottawa's NHPI is appropriate.

Statistical tests suggest wages are the main "driver" of new house costs. In particular, changes in wages are significantly related to changes in the NHPI's "house" component, especially after a 4-month lag. This implies, for example, that a January jump in wages is associated with a May NHPI "house" component hike. By contrast, statistical relationships between the NHPI "house" component and changes in various building materials, including bricks, concrete and lumber, are not immediately obvious.

Wages' importance in setting new housing costs is supported by casual inspection of the data. The 2.5 per cent average annual increase in StatsCan's construction wage index during the five years ending 2002 is closer to the 7.2 per cent annual increase in Ottawa's NHPI than are the rates of increase for bricks, concrete and lumber. Bricks' index rose 1.1 per cent over this period, concrete's was up 1.9 per cent, while lumber's decreased 3.2 per cent.

The remaining gap between even the fastest-rising input costs and the NHPI's overall increase, suggests that Ottawa's homebuilder profits are benefiting from recently strong housing markets.

Ottawa's New House Price Index
and the National Construction Wage Index



(1) January 1997 = 100
Source: Statistics Canada

the multi-family market fared even better, pushing ahead of the single-family market to 3,996 units in 2002. As single-detached homes jump in price, consumers may increasingly turn to other affordable options provided by the multi-family market. Affordability will play a more important factor in the housing market this year.

New townhouse construction leaped ahead in 2002 by 13.5 per cent to end the year with 1,972 units. This is the highest number of town homes constructed in over 10 years. Over 90 per cent of that construction was for the owner-occupier market, while the rest was for the rental market. Two areas that witnessed the most significant growth in new townhouse construction from 2001 to 2002 were the Old City of Ottawa, with an increase of 67 per cent, and Nepean, with an increase of 26 per cent. All other areas recorded declines from the previous year. As of March 2003, townhouse construction was 6.2 per cent ahead of last year during the same period.

While it is still early to say whether townhouse construction will break last year's record, the conditions are in place for this particular market to do well for the rest of 2003. Though there are expensive row units on the market, such as executive town homes, the average selling price for a new townhouses was about $211,000 in 2002, according to figures from the Corporate Research Group in Ottawa. Also, city by-laws are in place to actively promote the construction of these types of units in new subdivisions as a way to provide affordable homes for other income groups. Above all else, it is the strong demand for housing and affordability that will drive demand for this housing type, which will be particularly popular with first-time homebuyers entering the housing market.

Condo market remains strong in 2003

Condo sales did exceedingly well on the resale market, and new condo apartment construction in 2002 was the highest it has ever been in over a decade, as dwindling supply in the resale market translated into more new condo starts. By the end of 2002, total condo starts grew to 747 units from the 285 new units from the year before. Most of these new condos constructed in 2002 were apartments, with only 14 townhouse condo units recorded. So far in 2003, the number of condos constructed up to February is 57 units, which means that current construction levels are already 8 per cent ahead of last year at this time. Besides the affordability of condos for those seeking to own a home, some investors will consider buying a condo to then rent out to potential tenants. With low returns being achieved on the equity markets, investors may see the purchase of such real estate as a more secure investment, especially considering the healthy increases in condo prices last year.

It is important to note that construction activity in the condo sector is volatile, where you may have no starts listed over several months and then record several new units over a short period because a few new projects that have started. However, the trend for condo construction has definitely gone up in the past few years.

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Resale Market

Sales and Prices highest on record in 2002, but easing this year

By the end of 2002, the average price for a resale home in Ottawa was $200,711, the highest recorded ever. Even after adjusting for inflation, real housing prices now are the highest on record, according to sales figures going as far back as 1956. While there may be questions as to whether this market can continue to sustain this price growth, the current economic environment in Ottawa suggests that the market can support still higher prices. With steady job growth and positive net migration expected for 2003, we should see solid demand for housing continue. However, with prices as high as they are, the ability for some potential home buyers to afford homes does come into question. Also, considering that mortgage rates will continue to go up this year, some potential first-time buyers may decide to reconsider the purchase of a home, after they evaluate rising carrying costs. This process alone will likely cool down housing sales this year, and, coupled with an increasing supply of homes on the market, we are also expecting more modest price growth for 2003.

While CMHC expects 2003 to be an above-average year for the resale market, 2002 will be remembered as a "hot" resale market in Ottawa, thanks to strong demand that was driven by a steady job market, net positive migration and even lower mortgage rates. Despite job loss in the high-tech sector early last year, strong job growth in the public sector helped to sustain employment levels last year. Along with steady employment, the low cost of borrowing throughout 2002 drove many renter households into the housing market to become home owners. As well, low mortgage rates prompted many existing households to upgrade to a bigger home. Continued migration to the city also contributed to a more vibrant market, which by early 2002 was showing signs of a very tight market. Conditions were so intense that bidding wars took place between potential buyers for the small number of listings still available on the market. By December of 2002, the average time on market for a home in Ottawa was approximately 29 days. As a result, 2002 was marked by a record 12,894 sales transactions, the highest ever recorded in Ottawa. Both the sale of residential freeholds and condos set new sales records.

Despite the strong performance of the resale market in 2002, there are signs that market conditions are beginning to ease, as sales are down and the number of listings on the market continues to rise. Unseasonably cold weather in late winter months may have played a factor in sales this year, but affordability is also likely having some dampening impact on demand. By March 2003, sales dropped by 14 per cent to 2,755 transactions compared to same period last year. Sales by the end of 2003 are expect to reach about 12,300 units, representing a decrease of over 5 per cent from last year.

As mentioned, the factors contributing to this decline are rising prices, and more expected increases in mortgage rates. In addition, some consumer uncertainty about geopolitical events may be a factor in the decision to buy a home. As for mortgage rates, consumers will likely continue to take advantage of low rates now and lock in before they rise further in the year. Therefore, we could see a more brisk level of buying activity through the second quarter of 2003 and then a more stable level as rates go up higher in the year.

New listings have been steadily rising over the past few months as more homes have become available on the market. Since July of 2002, the trend in new listings has been gradually rising. For all of 2002, new listings

MLS Price and Sales, Urban Sub-Markets

	Avg. Price 2002	Avg. Price 2001	% Chg.	Sales 2002
Orléans	194,799	174,153	11.8	1,845
East End	170,122	147,980	15.0	996
South-East	216,827	177,139	22.4	1,814
Downtown	290,446	257,416	12.8	913
West End	216,992	183,221	18.4	1,303
Nepean	172,212	160,542	7.3	1,071
Barrhaven	211,167	173,921	21.4	783
Kanata-Stittsville	212,924	195,004	9.2	1,463

Source: OREB

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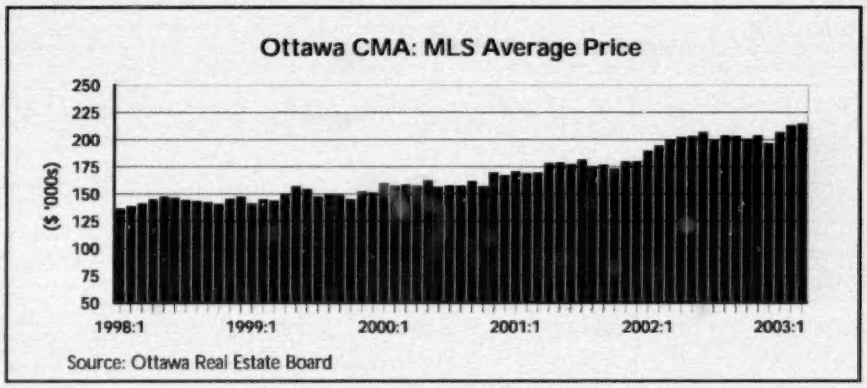
totaled 17,982, a increase of 3.7 per cent from the previous year.

Sellers' Market Conditions Continue

The sales-to-new-listing ratio is a gauge of the supply/demand balance in a particular market. Besides indicating the strength of the market, it also gives an indication of future price trends in the market. A ratio that lands within the range of .50 is considered balanced, meaning the market does not favour buyers or sellers and prices increase only modestly. From the end of 2002, the December sales-to-new-listings ratio was pegged at .701, which would place this market as a Sellers' Market. In fact, this December's ratio was 22 percentage points lower than the ratio back in December of 2001, when it was listed at over .90. At that level, the market was so intense, in that there was such a large imbalance between the high number of buyers and low number of listing available, that buyers had to be pre-approved and act quickly to place an offer on a home. While the ratio went down by the end of December 2002, the market was still in favour of Sellers, where those selling were still in a position to inflate the asking price of their home in face of strong demand. The price of resale homes is continuing to increase this year, which suggests that sellers' market conditions still prevail in Ottawa.

Strong demand will continue to push up the average resale price of homes in 2003. It is not uncommon for some quality homes in this type of market to receive multiple bids from various prospective buyers. As a result, price increase is stronger than usual. By the end of 2002, the average price in Ottawa CMA grew by 14 per cent from last year to $200,711. As of March 2003, prices continued to go up, increasing by another 8.5 per cent to an overall city-wide average price of $212,279. Sellers' market conditions are expected to continue, and the average price for a resale home should increase by another 6 per cent to end 2003 at around 212,500.



Source: Ottawa Real Estate Board

While all of the sub-markets in the Ottawa CMA enjoyed healthy price gains this year, some areas jumped ahead of the pack. In the Southeast, prices grew by 22 per cent from 2001 to 2002, with an average price of $209,214. Barrhaven saw prices grow by 21 per cent during this period to end at $202,146. Another notable area is the West End, which ended 2002 with a price increase of over 18 per cent to $210,582. The Downtown still had the highest average price for resale homes in Ottawa, ending 2002 with an average price of $284,662, an increase of just under 13 per cent. Nepean had the smallest price gains in 2002, recording a jump of 7 per cent, still a healthy rate of price increase.

Freehold Residential and Condo Markets

A closer examination of the freehold residential market reveals strong price gains for various other residential dwelling types. The freehold market was in sellers' market territory for all of 2002 and these market conditions drove up the price of such homes accordingly. Single-detached homes made up 54 per cent of all MLS residential sales in 2002, and the average price grew by just under 13 per cent to about $230,400. Semi-detached homes made up 10 per cent of all sales, and price gains were higher than single-detached homes, growing by 14 per cent to $193,200 by the end of 2002. Meanwhile, townhouse sales were up by 7.5 per cent from 2001 to 2002, and attained an average price of $184,600 for an increase of 11 per cent by the end of last year.

As for the condo market, the sales-to-new listings ratio for this market actually outperformed that of the freehold market. The condo apartment market was particularly hot last year, as the average price soared by over 20 per cent to end 2002 at around $156,100. Townhouse condos also grew significantly in price to $139,500, representing an increase of 16 per cent from 2001. While condo apartment sales grew the fastest, 9 per cent last year, condo townhouse sales actually declined by 4 per cent last year, suggesting shortages of these units.

Though price gains were evident for each of the above housing types, there is no question that the more affordable units, like condos, outperformed the freehold market in terms of change in sales and prices in 2002. Consumers were already showing a preference for more affordable housing options in 2002 and we can expect this process to continue even more for 2003, as the search for ownership affordability continues.

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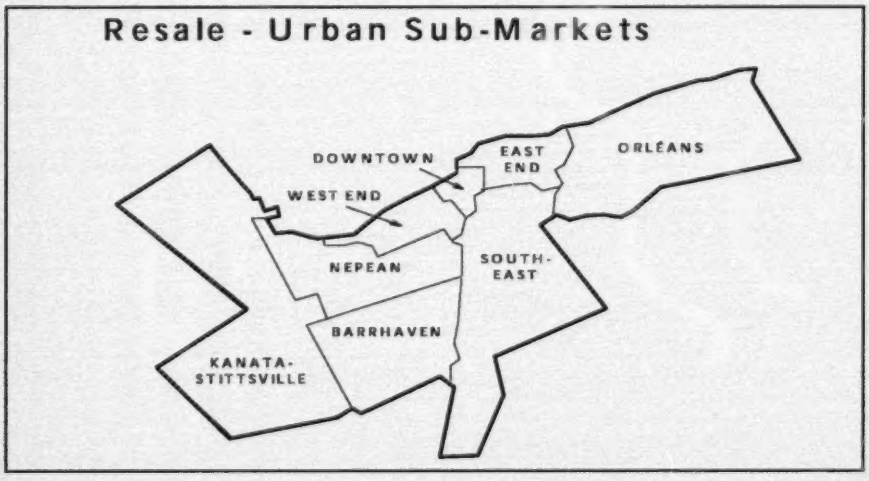
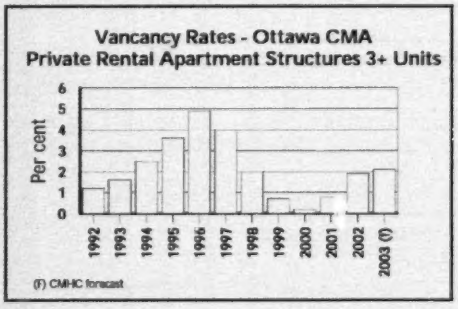


Rental Market

Vacancy rates expected to go up again in 2003

The demand for rental accommodations in the Ottawa CMA is expected to remain firm for the rest of 2003. Following a vacancy rate of 1.9 per cent in October 2002, CMHC expects apartment vacancy rates will rise slightly again to 2.1 per cent by this October. While an increase in supply is expected, due to new rental and condominium construction in 2002, other factors will balance this increase, such as the entry of the student double cohort into the rental market, increased migration to the city and rising mortgages that will keep some households in the rental market.

Last year will be remembered for the reemergence of rental construction in Ottawa. Rental construction almost doubled in 2002 to 1,141 rental starts, compared to 390 such starts in 2001. Most of these new units will come onto the rental market this year, thereby increasing the supply of private rental units in a market which has already seen the vacancy ease from the previous year. In addition, supply will also increase indirectly through the construction of condominiums by investors buying them and then renting them out. While it is difficult to determine the latter, the drop in prices in the equity markets has meant that investors are looking for other investment opportunities. With the steady increase in prices seen in Ottawa over the past few years, investing in real estate is seen as a very attractive alternative.



Though the above factors may point to a higher vacancy rate in 2003, there are some factors that will continue to maintain strong demand in the rental market. Despite the increase in the volume of new rental construction taking place, many seem to be targeting the higher-end market. Therefore, rental construction for the mainstream market is still limited compared to other periods.

Another key factor to consider is the upcoming double cohort of new students, slated to enter post-secondary institutions this fall. With the elimination of Grade 13 by the province of Ontario, this fall will present a unique situation, as two graduating high school years seek post-secondary accommodations.

Ottawa also continues to be a place of destination for new immigrants coming to Canada. Though last year saw a slight drop in net migration to the CMA, there were over 10,000 new migrants to this urban area, and increasingly, immigrants are making up a larger share of these new migrants. This trend is particularly important since more new migrants, and especially immigrants, coming to a city often rent before entering the home owner market.

Rising mortgage rates in 2003 will also translate into higher carrying costs for potential homeowners. With housing prices continuing to rise, many potential first-time home buyers may put off the decision to buy a home until rates go down, thus remain renters. The carrying cost for a resale home has already gone up by 8.5 per cent in February of 2003 compared to February 2002.

Rent Increases Expected

With a vacancy rate of 2.2 per cent expected in 2003, the tight rental market conditions will continue to favour landlords, placing upward pressure on rents. Following a 2.1 per cent increase in rents in 2002, CMHC is forecasting rents to increase by a comparatively modest 1.8 per cent this year to $950 for an average two-bedroom apartment. Landlords will likely be reluctant to raise rents too high to minimize the loss of tenants to the home owner market. Still, the steady demand for rental accommodations will mean that rents can go without running the risk of tenants leaving.

The gap in rents between Gatineau and Ottawa meant that potential renters from Ontario went across the river to seek more affordable accommodations. However, Gatineau's rental market was very tight in 2002, with its vacancy rate shrinking to all-time low of 0.5 per cent. Consequently, renters will not have much choice across the river and will likely stay in Ottawa to find rental accommodations.

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Mortgage Rates

Short-term mortgage rates move in tandem with the prime rate while mid- and long-term mortgage rates vary in response to the cost of raising funds in the bond markets. Mortgage rates are forecast to rise as interest rates head up this year and next.

Spreads between mortgage rates and comparable bond yields have remained at 200-250 bps in the last couple of years, providing lenders with some room to negotiate discounts ranging 50-150 bps from the posted rates. These spreads are likely to persist in the near term.

The one, three and five-year closed mortgage rates are expected to be in the 5.00-6.25, 6.00-7.25 and 6.50-7.75 per cent range respectively this year.

Economic Overview

Market fundamentals still in place for 2003

Economic fundamentals appear to be in place in Ottawa for the housing market to perform well for the rest of 2003. Along with growing employment levels, historically low interest rates for the rest of 2003 and steady positive net migration will continue to fuel demand for housing in Ottawa.

Looking at this year, strong year-over-year job gains have been recorded up to March, representing an increase of just under four per cent to approximately 489,000 persons employed from the same period a year ago. Most of the increase in employment levels in this first quarter was due to a steep rise in full-time employment, while part-time employment revealed almost no change from the same period last year. Altogether, this represents seven consecutive months of a net increase in employment levels for this CMA.

With growing employment levels, the participation rate in the first quarter of 2003

grew by 4.2 percentage points compared to the first quarter of 2002. The labour force reached an average 489,700 persons by this quarter and the unemployment rate stood at 7.0 per cent, a slight decrease from the same time a year ago.

Both the 15-24 and 25-44 age groups are showing strong increases in employment levels in this first quarter, while the 45 to 64 age group revealed some declines. Up to March of 2003, youth (15-24) employment levels grew by 14.7 per cent, representing approximately 8,500 more positions during the same period a year ago, ending this first quarter with about 68,000 employed. Most of the increase was in full-time positions, while a slight decrease in part-time positions was recorded during this time. As for the 25-44 age group, the first quarter numbers indicated about 243,000 employed in this workforce, for an increase of 8 per cent or about 19,400 more positions from the first-quarter of 2002. Most of this increase, like the youth workforce, was in full-time positions, growing 10 per cent year-over-year this quarter. Meanwhile, the 45-64 age group was showing nothing but declines in employment in this quarter, which is in stark contrast to last year when this age-group recorded nothing but strong job gains.

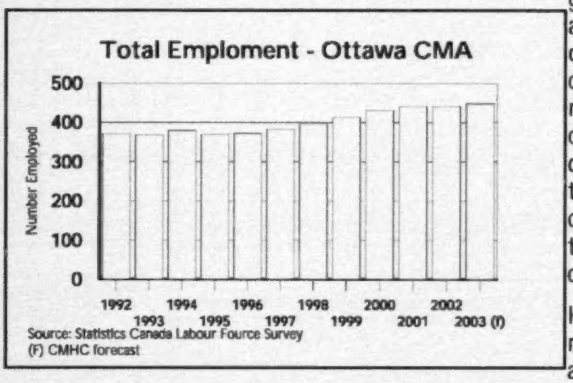
In terms of employment by sector, the goods-producing sector in Ottawa recorded healthy increases this quarter compared to the sharp decline recorded for all of 2002. Last year, the total goods-producing sector, which includes manufacturing, resource industries and construction, recorded an 11 per cent decline in employment, ending the year at around 54,300 employed. By the end of March 2003 however, a reversal had occurred and the number of employed in this sector had increased to 63,900, up over 24 per cent compared to the same quarter a year ago. Most of the increase occurred in manufacturing and construction, with construction showing an increase of over 51 per cent to about 22,000 employed and manufacturing a 17 per cent increase to approximately 38,300 employed for this quarter. Computer electronic and manufacturing also witnessed increases in employment this quarter, growing by 9.3 per cent in this quarter to over 15,000 employed in this industry and indicative that employment in certain high-tech sectors of the economy are rebounding from the meltdown from last year.

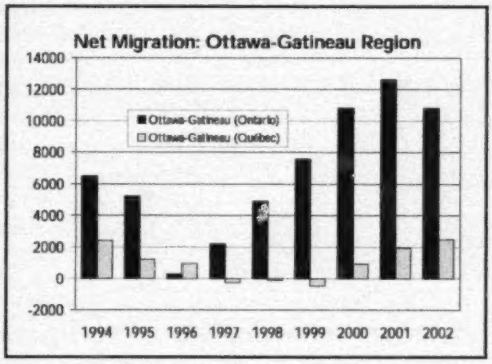
Meanwhile, the service-producing sector in Ottawa also recorded increases in employment levels this quarter compared to a year ago, especially in the public sector, management and professional services, and trade. Public sector employment has continued its upward trend following strong job gains in 2002. By the end of March, employment in the public sector increased by another 4 per cent to an estimated 87,300. After shedding about 5 per cent of its workforce in 2002, employment levels for professional, scientific and technical services grew by 16 per cent year-to-date, ending March with employment levels at about 56,400. Trade grew by 3 per cent this quarter while management and administrative services increased by over 24 per cent.

The current growth in employment levels suggest that we can still expect healthy demand for housing as the job market continues at its current rate of performance.

There are signs that the economy nationally will be slowing due to sluggish US economic growth in the last quarter of 2002 and first quarter of 2003. Consequently, a drop in exports is expected, due as well to a simultaneously rising Canadian dollar vis-a-vis the US greenback. In addition, geopolitical uncertainties, such as the war in Iraq and the outbreak of SARS, may impact consumer confidence for the rest of 2003. Also, the rising cost of borrowing money may dampen business investment in the economy, along with consumer demand for large ticket items like homes and cars.

However, Ottawa's economy may be immune to some of the above mentioned cooling trends since government spending, as laid out in the last federal budget, is expected to spill into the Ottawa economy as well as help sustain public sector employment. In addition, there is already evidence that the high-tech sector is rebounding with increasing job growth and new investment. Though the big players in high-tech, such as Nortel and ADS, have scaled back their operations there is much vitality in this sector. There is also a variety of local high-tech investments that have recently been announced in local business newspapers.





Migration

Positive net migration to continue

A key factor in Ottawa's strong housing market performance over the last few years has been the growing population due to migration. In 2001, the total net positive migration to the city was under 13,000 people. By 2002, that number had dropped to 10,800, but still represents a strong number of migrants to the city.

Increasingly, a larger portion of these new migrants are immigrants settling in Ottawa. For both 2001 and 2002, immigrants made up around 40 per cent of all the new people migrating to the CMA. The high-tech economy drew many people to Ottawa, a major factor in fueling housing markets in the past few years.

With Ottawa's economy still expected to perform well into 2003, we should expect net positive migration to continue. CMHC estimates that the number of new migrants to the CMA will reach just under 9,000, and international migrants will continue to form a rising portion of these migrants.

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FORECAST SUMMARY

Ottawa CMA Spring 2003

	2000	2001	2002	% chg.	2003F	% chg.
RESALE MARKET						
MLS Sales	12,692	12,240	12,894	5.3	12,300	-4.6
MLS Average Price, all units	$159,511	$175,972	$200,711	14.1	$212,500	5.9
MLS Average Price, Freehold Res.	$173,377	$191,763	$216,319	12.8	$230,400	6.5
MLS Average Price, Condo	$107,958	$124,087	$146,755	18.3	$157,700	7.5
Sales to New Listings Ratio	0.79	0.71	0.72	-	0.65	-
HOUSING STARTS						
Total	5,786	6,251	7,796	24.7	6,800	-12.8
Single-detached dwellings	3,494	3,502	3,807	8.7	3,200	-15.9
Semi-detached dwellings	400	336	316	-6.0	350	10.8
Row dwellings	1,320	1,738	1,972	13.5	2,000	1.4
Apartment Dwellings - Total	572	675	1,701	152.0	1250	-26.5
Apt. Condo	*30*	*285*	*747*	*162.1*	*850*	*13.8*
Apt. Rental	*503*	*341*	*924*	*171.0*	*400*	*-56.7*
Other	*39*	*49*	*30*	*-38.8*	*0*	*-100.0*
Median price, Single detached	$208,900	$244,400	$269,800	10.4	$283,300	*5.0*
RENTAL MARKET						
Vacancy Rate (October)	0.2	0.8	1.9	-	2.1	-
Average Rent (2-bedroom)	$882	$914	$933	2.1	$950	1.8
ECONOMIC OVERVIEW						
Mortgage Rate - 3 year term	8.17	6.88	6.7	-	7.25	-
Mortgage Rate - 5 year term	8.35	7.41	7.45	-	7.75	-
Employed	431,500	441,800	441,900	0.0	448,400	1.5
Employment Growth	17,300	10,300	100	-	6,500	-
Net Migration	9,800	12,500	10,836	-13.3	9,700	-10.5

Sources: Ottawa Real Estate Board; The Corporate Research Group; Statistics Canada; Human Resources Development Canada; Canada Mortgage and Housing Corporation

The Ottawa Real Estate Board is an industry association of 1,400 sales representatives and brokers in the Ottawa area. The OREB website is www.ottawarealestate.org

M.L.S. (Multiple Listings Service) is a registered certification mark owned by the Canadian Real Estate Association.

F = CMHC Forecast